

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

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R 311645Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7162

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PASS ALSO TO OPIC

E.O. 11652: N/A

TAGS: CS, EFIN

SUBJECT: OPIC INSURANCE OF LAND HOLDINGS IN COSTA RICA

REF: STATE 109233

1. EMBASSY APPRECIATES REFTEL, WHICH WAS DISCUSSED WITH OPIC PRESIDENT MAYS. WHILE QUESTION OF INVESTMENT POLICY OF NEW GOCR CAME UP IN DISCUSSIONS WITH BOTH OFFICIALS AND PRIVATE INDIVIDUALS, APPROPRIATE OCCASION FOR SPECIFIC AND DETAILED DISCUSSION OF STANDARDS FOR EVALUATING PROSPECTIVE INVESTMENTS INVOLVING LARGE LANDHOLDINGS (PARAGRAPH 2 REFTEL) DID NOT ARISE. GOCR STILL IN PROCESS OF DRAWING UP OWN GUIDELINES AND OFFICIALS MADE IT CLEAR THEY DID NOT WANT TO DISCUSS SPECIFICS.

2. IN GENERAL, GOCR OFFICIALS EXPRESSED KEEN INTEREST IN OPERATIONS OF OPIC AND IN FOCUSING OPIC'S ATTENTION ON AGRO-BUSINESS, INDUSTRY AND TOURIST INFRASTRUCTURE PROJECTS, WITH PARTICULAR INTEREST IN POSSIBLE COLLABORATION BETWEEN OPIC AND THE LOCAL MIXED GOVERNMENT/PRIVATE DEVELOPMENT BANK, CODESA. REACTIONS SUGGESTED THAT HERETOFORE FOREIGN GOVERNMENT APPROVALS FOR PROJECTS HAVE BEEN ISSUED AUTOMATICALLY, WITH NO REAL ATTENTION TO SUBSTANCE. DURING CALL

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ON MINISTER OF ECONOMY, INDUSTRY AND COMMERCE SANCHEZ,

VICE MINISTER CARBAJAL STATED GOCR HAD NOT RPT NO
INTEREST IN STIMULATING FURTHER FOREIGN INVESTMENT IN LAND.
DURING LUNCH AT CHARGE'S RESIDENCE, MINISTRY OF PRESIDENCY
COORDINATOR GENERAL NARANJO PULLED EMBOFF
ASIDE TO SAY MAIN LINES OF ODUER FOREIGN INVESTMENT POLICY
WOULD BE:

- (A) EXCLUSION OF FOREIGN MEDIA OWNERSHIP.
- (B) RESTRICTIONS ON FOREIGN INVESTMENTS IN LAND
- (C) NO CHANGE IN OTHER AREAS

3. WITH REGARD TO THE CRITERIA PROPOSED IN PARAGRAPH 3
OF REFTEL WE CONTINUE TO STAND BEHIND THE POSITION SET FORTH
IN OUR EARLIER CABLES, I.E., THE USG SHOULD NOT GUARANTEE LAND-
HOLDS. MUCH OF THE PROVISIONAL CRITERIA SUGGESTED WOULD SEEM
TO BE CONSISTENT WITH THAT THAT EMBASSY POSITION.
HOWEVER, OBVIOUSLY THE SENTENCE READING "PROJECTS WHICH FAIL
TO MEET FIRST THREE CRITERIA GENERALLY WILL BE INSURED IF THEY
HAVE AT LEAST 50 PERCENT COSTA RICAN EQUITY PARTICIPATION",
AS WELL AS THAT FOLLOWING, ARE CONTRARY TO WHAT WE HAVE
RECOMMENDED. WHILE LOCAL PARTICIPATION CERTAINLY SHOULD BE
A FACTOR IN CONSIDERING ANY APPLICATION, WE FAIL TO SEE WHY
SOME LOCAL PARTICIPATION RATIO SHOULD IN EFFECT SERVE AS A
WAIVER CLAUSE. IN ANY CASE, THIS PROVISION WOULD BE PRACTICALLY
IMPOSSIBLE TO POLICE SINCE STOCK CERTIFICATES IN COSTA RICAN
CORPORATIONS ARE NORMALLY "BEARER" SHARES AND NOT NOMINATIVE.
MOREOVER THE FACT OF COSTA RICAN PARTICIPATION IN A LAND PROJECT
WOULD NOT NECESSARILY LESSEN THE SENSITIVITY INVOLVED AND
CONCEIVABLY, DEPENDING UPON THE LOCAL PARTNER, IN SOME
CASES COULD HEIGHTEN SENSITIVITIES. WITH REGARD TO ONE OTHER
POINT IN THE PROVISIONAL CRITERIA, WE WOULD CERTAINLY AGREE
THAT RANCHING AND LAND DEVELOPMENT PROJECTS NORMALLY SHOULD
BE EXCLUDED, BUT "AGRICULTURAL" PROJECTS SHOULD BE
CONSIDERED ON THEIR OWN MERITS, WITH THE SENSITIVITY QUESTION
OF COURSE BEING AN IMPORTANT AND PERHAPS DECISIVE ELEMENT IN
FINAL APPROVAL OR REJECTION.

4. WE ASSUME THAT EMBASSY'S AND DEPARTMENT'S JUDGMENT
ON POLITICAL SENSITIVITY, AS WELL AS OPIC'S, WILL CONTINUE TO BE
WEIGHED IN ALL CASES.

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